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27 March 1963

**SOVIET POLICIES: THE NEXT PHASE**

- A. We believe the Soviet leaders have completed their post-Cuba policy reassessment and have decided upon a general line of action for the period immediately ahead.
  - 1. This course rests on decisions to defer once again any redistribution of resources to consumer programs and away from heavy industry supporting the defense effort.
  - 2. Military programs may have been adopted which will affect investment for general industrial expansion and thereby slow general economic growth.
  - 3. Khrushchev's recent pronouncements give the impression that developments over the past three years have finally brought him to abandon indefinitely his 1960 hopes for easing the military burden on the economy by reducing Soviet forces.
- B. This general line of action should have important implications for Soviet foreign policy.
  - 1. The Cuban crisis has been a turning point in the sense that Khrushchev seems to have recognized that the "world relation of forces"

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no longer supports the ambitious political offensive he launched in 1957.

2. Moscow's post-Cuba posture reflects a further decline in confidence and expectations which, in our view, was a major part of the motivation for the Cuba venture.
  3. The Soviets appear to recognize that a "pause" is required in international affairs while they attempt to rebuild their world position.
  4. Khrushchev's recent emphasis on the need for sacrifice on the part of the Soviet people suggests a resumption of detente tactics is not envisaged to present.
  5. The harsher diplomatic atmospherics will not be congenial to serious negotiations.
- C. This does not mean, however, that a tougher public posture will be accompanied by aggressive actions.
1. Soviets now seem to have a clearer appreciation of US power and determination.
  2. Chances of Khrushchev making another dangerous misjudgment of US reaction have been reduced, even though the pressures which contributed to the Cuban gamble remain operative.
- D. Khrushchev, in effect, ended his post-1957 offensive by shelving the Berlin issue as a more or less continuous crisis--in his 16 January speech to the East German party congress.

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1. He shows little optimism about possibility of a negotiated settlement on terms sufficiently attractive to justify a final and demonstrative end to the Berlin question.
  2. He apparently intends to keep Berlin alive as an issue for agitation and propaganda.
- E. The USSR probably will continue talks on disarmament and nuclear test ban, but they appear to have no interest in serious negotiations as long as they regard their overall position as inferior.
1. Another important factor in this unyielding stand is need to avoid actions which would make USSR vulnerable to new Chinese charges of "capitulation."
  2. Soviets may now no longer believe that a test ban will provide a real obstacle to spread of nuclear weapons.
  3. Finally, they may now see need to maintain a free hand to resume testing.
- F. In other areas of Soviet operations, they have come to recognize that prospects for further significant gains in underdeveloped areas are very mixed. But they lack any promising alternatives to present policy of supporting neutralist and anti-Western governments since in very few cases are local Communist parties strong enough to attempt a seizure of power on their own.

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G. Although the Chinese would welcome a harder Soviet line toward the West, we doubt that anything better than a superficial and temporary truce can result from the recent exchange of proposals for bilateral talks.

1. Peiping is clearly determined to break the Soviet hold on the international Communist movement.

H. Khrushchev's present course implies a long, hard pull, bound to increase Moscow's sense of frustration and desperation.

1. There is always the possibility that these frustrations will force the Soviets to reconsider the advantages of some accommodation with the West.
2. The danger will remain, however, that Khrushchev will again be driven to try to break out of these entanglements by some audacious move, even though this might appear risky or foolish.

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